

MEMORANDUM



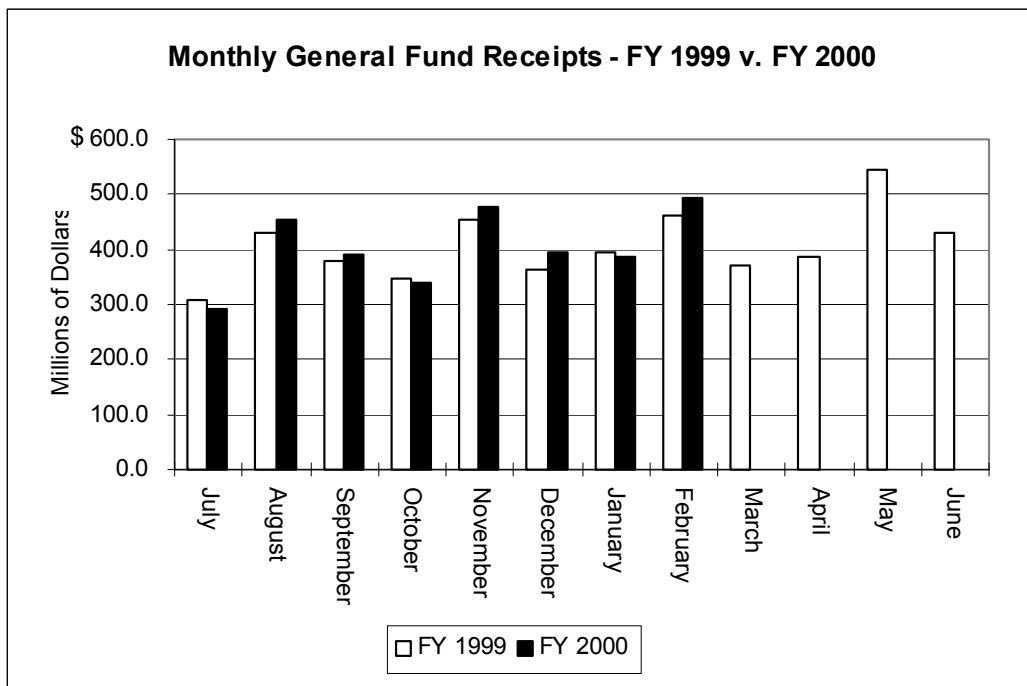
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: March 1, 2000

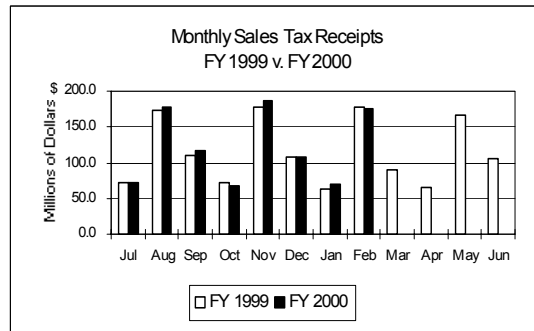
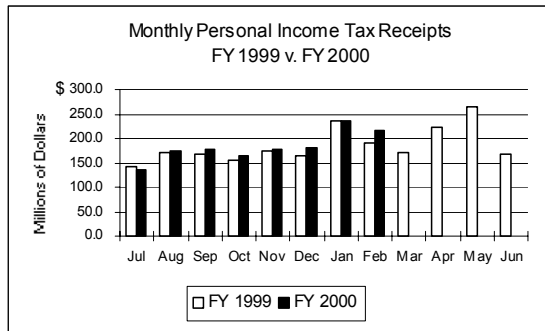
General Fund Receipts Through February 29, 2000

The attached spreadsheet represents total FY 2000 General Fund receipts, with comparable figures for actual FY 1999. These can be compared to the latest FY 2000 estimate (\$5.060 billion) set by the Revenue Estimating Conference (REC) on December 9, 1999. The estimate represents an increase of \$180.4 million (3.7%) compared to FY 1999.



FY 2000 Compared to FY 1999

Year-to-date FY 2000 revenue growth increased by \$88.0 million (2.8%) compared to FY 1999. This is below the REC estimate of 3.7% for FY 2000. Total February 2000 revenues increased \$32.1 million (6.9%) compared to February 1999.



Gross personal income tax revenues received in February were \$23.1 million (12.0%) more than February 1999. Year-to-date growth in personal income tax is \$51.3 million (3.6%) more than FY 1999.

Withholding receipts increased in February, increasing by 7.9% compared to February 1999. Year-to-date growth in personal income tax withholding payments is \$64.0 million (5.6%) more than FY 1999.

Estimate payments increased in February, posting a gain of \$4.2 million (32.1%) compared to February 1999. This increase follows a decrease of \$8.5 million in January. Since fourth quarter estimate payments are due January 31, when the payments actual get processed often causes year-to-year fluctuations in January and February receipts. Year-to-date growth in personal income tax estimate payments is \$19.5 million (7.8%) less than FY 1999. July and October 1998 estimate payments were very strong, but moderated through the remaining months of FY 1999. Year-to-date experience indicates that FY 2000 estimate payments will more closely follow the lower level of the second half of FY 1999.

Additional payments received with final returns during February increased by \$5.0 million (153.1%) compared to February 1999. It is still early in the filing season, but the Department of Revenue and Finance indicates it has experienced a substantial increase in electronic filing which may explain much of the increase.

The REC FY 2000 income tax estimate of \$2.332 billion represents a projected increase of 4.4% compared to actual FY 1999.

Sales tax receipts in February were \$1.5 million (0.9%) less than February 1999. Growth in FY 2000 sales tax stands at \$23.1 million (2.4%) compared to FY 1999.

The REC estimate for FY 2000 sales tax receipts is \$1.436 billion, an increase of 4.3% compared to actual FY 1999.

Corporate income tax receipts in February were \$2.1 million (16.6%) more than February 1999. Estimate payments were the primary cause of the gain for February. Estimate payments received in February were \$1.8 million (18.2%) more than February 1999. Year-to-date FY 2000 corporate income tax payments are \$9.3 million (5.0%) below the FY 1999 level.

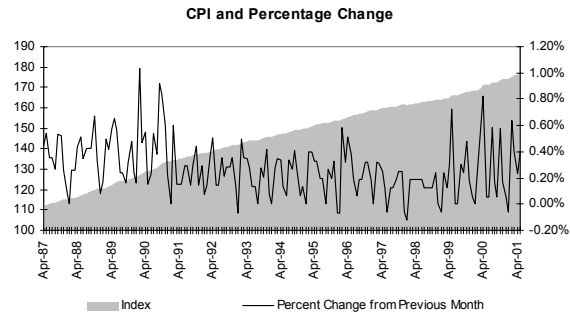
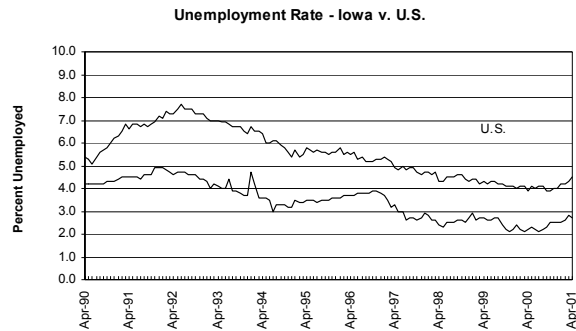
The REC projected FY 1999 corporate income tax receipts would total \$316.1 million, a decrease of 1.8% compared to actual FY 1999.

Racing and gaming receipts to the General Fund reached their statutory cap of \$60.0 million during November. All racing and gaming receipts in excess of \$60.0 million are deposited in the Rebuild Iowa Infrastructure Fund. As a result, activity in these accounts has little direct impact on the General Fund. The REC estimated that \$112.2 million from this source would be deposited to the Infrastructure Account in FY 2000.

Status of the Economy

The seasonally adjusted percent unemployed for the State in January increased from December's rate of 2.2% to 2.4%. The unemployment rate a year ago was 3.0%. Iowa's total January employment registered 1,583,200, down from December's level of 1,585,500. The number of unemployed persons in Iowa stood at 37,300 in January, which is up from December's level of 34,600. The U.S. unemployment rate decreased in January to 4.0%.

Consumer prices in January rose by 0.2% from December's level. The Consumer Price Index (CPI-U) through January 2000 was 168.7 (1983=100), which is 2.7% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through January 2000.



Information related to State General Fund receipts is available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). If you have questions regarding this service, you may contact Glen Dickinson (515-281-4616).

